

The BANKERS MAGAZINE

TITLE REGISTERED IN U. S. PATENT OFFICE

SEVENTIETH YEAR

Government Control of Business

BY

LOUIS A. COOLIDGE

Treasurer United Shoe Machinery Company, Boston

An Address
Delivered before the Cleveland Chamber
of Commerce, Cleveland, O.,
October 10, 1916

PUBLISHED MONTHLY BY

THE BANKERS PUBLISHING CO.

W. C. WARREN, PRES.

W. H. BUTT, VICE-PRES.

G. T. LINCOLN, TREAS.

J. R. DUFFIELD, SEC.

BOSTON

NEW YORK

CHICAGO

LONDON: EFFINGHAM WILSON, 54 THREADNEEDLE STREET

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REPRINTED FROM
THE BANKERS MAGAZINE
December 1916



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Government Control of Business*

By LOUIS A. COOLIDGE

I AM to speak to you upon a subject which I hope you all have close at heart. The theme is one which vitally affects not only those who have an interest in business, but more than that, it has to do with all activities of life; for if the government of state or nation can now control your private business without arousing your resentment, the time will surely come when it will undertake a closer supervision of your individual affairs.

There is an intimate association between your business activities and your daily walk and talk; for business consists in the exchange of labor for subsistence, and he who lives must carry constantly in mind the means by which subsistence shall be best assured.

It would be hard to find the line which separates our daily work from all our other manifold relations to society, for whether one may toil with hand or brain he exchanges his labor for the means with which to purchase the necessities, the comforts, or the luxuries of life.

Are we ready to entrust the whole complicated system of our interlaced existence to government control? For that is what we face if present tendencies prevail. The theme concerns us closely therefore in many, many ways. It cannot lightly be passed by.

Some time we must learn that business cannot be penalized in such a way that discipline shall light on capital alone, that labor and the public must share the punishment, because their interests are intertwined; above all, we must learn there is a thing which overtops both capital and labor—upon which their co-ordination must depend, around which the vast machinery of industry revolves—initiative, organizing skill, executive capacity, the glowing vision of industrial effectiveness which signalizes all great business management, which is found only in the brain of man.



THE STIFLING OF ENTERPRISE

HERE lies the tragedy of interference by the Government in industrial affairs. It stifles enterprise, discourages invention, smothers imagination, and lays a dead and clammy hand upon the heaven-born hope for individual success.

*An address delivered before the Cleveland Chamber of Commerce at Cleveland, Ohio, October 10, 1916.

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When Denis Kearney, the "Sand Lots Orator," tried to see General Grant in San Francisco, to advance his lawless propaganda, Grant refused to see him. When, in Chicago, Debs stirred up the strike of railroad employes, Grover Cleveland ordered out the Federal troops to guarantee the transportation of the mails. When, a few weeks ago, the railroad brotherhoods threatened to tie up our transportation system, mails included, even before they had a chance to carry out their threat so that it might be demonstrated how short a distance they could go, and for how short a time a suffering people would submit, they were not told, as Grant or Cleveland would have told them, that the whole force of the Government would be employed to preserve order and protect the public; the whole wretched mess was thrust on Congress, where the panic-stricken legislators yielded their legislative function subservient to outside threats and to Executive appeal; while the Postmaster General announces that if the railroad operatives refuse to run the trains to carry mails they cannot be amenable to law. So far along the perilous road have we already gone since Grant and Cleveland bravely stood for public rights.

Yet can we say that those who are responsible for this last evidence of swift degeneracy are alone to blame? Weak and cowardly they may have been, but they had fallen on a time when government had been demoralized by years of interference in business and industrial affairs, whatever party was in power, till sins against the body politic which no one would have tolerated twenty years ago have now become so common that they cause no stronger feeling than regret. There seems to be no limit to the demagogue's appeal.



MEDDLESOME REGULATION OF BUSINESS

THE first step in the present trend toward Government control of business was the creation of the Interstate Commerce Commission in 1887. The next step was the Sherman Anti-Trust Law, four years later. Those who enacted these laws had in mind nothing commensurate with the meddlesome regulation which has followed in their train.

When Congress magnified the functions of the Interstate Commerce Commission, by giving it the power to dictate rates, it took a step which Congress had no moral right to take and brought the Government in closer touch with business than the Government has any moral right to be.

When the Supreme Court a dozen years ago interpreted the Sherman Law regardless of "the rule of reason," and when it brought within its fields the railroads of the United States, it dealt

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a blow at honest business from which we all have suffered ever since.

The primary object of the Sherman Law was to adapt to Federal necessities principles which from time unknown have been embodied in the common law. But the administration of the act has been entirely inconsistent with this aim. The purpose of the act was not to give the inefficient an advantage over clever competitors, or to show preference for one form of business organization as against another. It was to protect the great consuming public from extortion. It was inspired by fear that corporations engaged in business which was then competitive would get together to raise prices. It was to prevent restraint of trade, not to establish a new inquisition to obstruct its growth. But the law has been perverted from its purpose of protecting the consumer and has become a weapon against accepted forms of business organization which have expanded commerce and which have been of benefit to everyone concerned—the corporations which through their success have proved of service to society, which have contributed to national prosperity by offering the thrifty and industrious an opportunity for safe investments, which through the savings of sound management can pay good dividends to holders of their stock, an equitable interest to holders of their bonds, the highest rate of wages to the laborer, while at the same time furnishing the public with the most effective service at the lowest price.

The very agencies which have done most to lower the cost of living have been assailed with special venom by those who scream most lustily because the cost of living is too high. Of course it costs more now to live than in the past, but we have no one but ourselves to blame. Part of the increase may be traced to extravagant administration and the consequent advance in taxes all along the line; part of it to restrictive laws which greatly add to the expense of operation on our railroads, and in our factories and stores; part of it is due to comforts which we all enjoy and which the wealthiest among us could not have had a little while ago; but most of it is due to increase in the cost of labor, and we need not look for cheaper living unless we are prepared to sacrifice these other things to which we have become attached.

The Interstate Commerce Commission, as first constituted, was to exercise sane supervision over the agencies of transportation, to protect the public from unfairness in the use of power. It was not vested with authority to dictate rates; but from an innocent beginning its office has been so magnified that it now has our transportation system in a strangle hold, and worse than that, it has been lately taken as a precedent for more commissions according to the need of politics, till we have reached a point where there would seem to be no business activity immune from the commission blight.

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So hopeless are our railroads under the harrowing attention of the Government, from which they are compelled to beg permission before they can adjust themselves to the immediate necessities of trade, and from which they rarely get relief until too late, that a few railroad presidents have been tempted in despair to think of public ownership, as a relief from baneful Government Control, and some now speak complacently about the possibility that the Government shall take complete possession not only of our railroads, but of our telegraphs and telephones, rather than have imposed upon us additional pernicious laws.



GOVERNMENT HANDLING OF BUSINESS

WHEN you hear talk like this, always remember one fundamental fact: No business activity can be handled by the Government except at greater cost to the consumer or an increase in taxes—sometimes both. There may be individual local instances where public ownership has paid; but we have enough examples now of the effectiveness of ownership and operation by the Federal Government to help us guess what would result from its extension to new fields.

We have the post office, a monument of business extravagance, and oftentimes, as now, of inefficiency. There has never been a time since the beginning of the Government when the post office was not run at a great loss. Wages are higher compared with those paid in return for similar work in private employment, and with the constant pressure upon politicians they constantly go up—but never down. The postal service has to carry free thousands of tons of Government reports, of campaign documents, and speeches by Senators and Congressmen. It is a riot of extravagance, of which a multitude of politicians reap the benefit and for which the public has to pay, both in the form of taxes to discharge the deficit, and in the form of a poor service, made so in order to accommodate the influential few.

A private company could give the public a far better service at less cost, and if unregulated by the Government could make the service pay. If it were not that handling of the mails has always been accepted as a function of the Government, we should be better off if it could be transferred to private management.

Our navy is another instance of costly management. We have wasted on our battleships millions of dollars as a sop to local pride or as a tribute to political pull—building a vessel's hull in San Francisco, building its engines in New York, dividing up among a lot of useless navy yards work which could be done as well and far more quickly, and more cheaply, if let out to private contract. And so it

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will be with the plants for armor plate and nitrates which Congress has just made appropriation for and which are to be built in places chosen by politics, where they cannot by any possibility be economically run.

The only enterprise of Government which has been run efficiently and at a moderate cost has been the work of army engineers. The Panama canal, improvements in our harbors, and other works of Government construction have been carried out effectively and inexpensively, because they were exclusively in military hands, and those who worked on them were subject to strict discipline. The deadly canker of social legislation has not yet eaten into military life.

If we have the railroads, the telegraph and telephone run by the Government, we shall have a vast army of civil employes, to handle whom the sternest discipline will be required unless we wish to take the risk of constant inconvenience and ever present peril. The only way in which a railroad or a telegraph can be effectively conducted by the Government is through military operation, and every step we take toward public ownership leads either to colossal inefficiency or to military rule. There can hardly be a middle course.



FIXING WAGES OF RAILWAY WORKERS

IN fixing the wages of railroad workers in order to avert a threatened strike, the President and Congress went upon the opportunist theory that they could thus postpone an evil day. Their action did not settle anything. No one knows yet just what may be the meaning of the law. We do not know whether it is constitutional or if constitutional to whom it may apply—whether to 400,000 railroad men, or to five times that number. The law provides that the new schedule “shall apply to all persons actually engaged in any capacity in the operation of trains used for the transportation of persons or property on railroads.” If this includes the 400,000 labor aristocrats who forced the bill, the engineers, firemen, conductors and trainmen—does it not also cover the switchmen, watchmen, trackmen, station agents, telegraphers and train dispatchers? Why not? They are all engaged at times in operation of the trains. Shall a few favored ones be taken and the others left?

Strange to say, that is what no one knows, and no one thought about it when they were rushing through the bill. No one can guess how it can be put in operation, even if it is valid. Is that skilled workmanship? Is that the sort of thing we want applied to all our business problems? How long can business survive if it must be entrusted to such clumsy hands? The only right which Congress has to legislate in these affairs is under its authority to regulate the

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commerce between States. Railroads are in that commerce. So are coal mine owners and their employees. So are textile mills. So are shoe factories, machine shops, clothing manufacturers, automobile factories, and so on to the end of all of our industrial and mercantile activities. A clerk in a "gents' clothing store" in Boston selling a collar made in Troy, N. Y., is in interstate commerce.

The recent act of Congress does not fix the hours and wages of this clerk because he does not happen to be mentioned in the bill. But what is to prevent it later? Should there be danger of a strike in any industry which might tie up our commerce and disturb our comforts for a while, relying on this precedent Congress could forbid the strike and force the men to work, which would be involuntary servitude, or it might assess employers enough to satisfy the men, which would be confiscation.

No matter which way Congress should decide a question of this kind, they must choose one of these alternatives.

And if Congress can raise wages, why not lower them, too? What becomes of the laborers' right to bargain with his employer for the adjustment of his pay if Congress has this power? What do the unions gain if they have lost the thing for which they have been struggling all these years?



NEW STANDARDS OF LEGISLATION

WE have new standards now in legislation. There was a time—and that not long ago—when public men devoted thought and study to the real problems of effective government—the thing which since effective government began have been peculiarly its province, and which no other agency can undertake.

In the eyes of other nations our Government enshrines the soul of our own nationality. Through this we fix our standing in the estimation of the world; through this we make provision for the national defense, coin money, borrow money on the credit of the United States, establish post offices and post roads, promote the progress of science and of the useful arts by issuing copyrights and patents, establish courts of justice, punish offenses against the law of nations, declare war, raise and support armies, provide and maintain a navy, suppress insurrections, and repel invasions.

These things can properly be handled by the Federal Government, and by the Federal Government alone. They are all duly indicated in the Constitution. They are recognized throughout the world as attributes of nationality. They are beyond the scope of private enterprise, they belong to Congress, and Congress can be amply occupied with them.

It has work enough in hand to make the appropriations indispen-

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able to keep the difficult machinery of administration in good running order.

There was a time when the appropriations were the first thought of Congress; and let us not forget that parliamentary government owes its existence to the demand that through this means the people should control the raising of the revenues and decide for what they should be spent. This is the very essence of our form of government. Is it a sign of the degeneracy of the day that for the past four years the passage of appropriation bills has been about the last consideration in either House or Senate?

Congress has been so busy with strange schemes of legislation affecting private business, letting loose a flock of highly paid and poorly manned commissions, passing law after law to hamper trade, that with hardly an exception the appropriation bills have been deferred beyond the beginning of the fiscal year to which they must apply, and resolutions have been passed continuing the last year's appropriations, until Congress could find time to act. Can you imagine a more slovenly procedure? Would you tolerate it in your personal affairs?

Yet this is the all-wise body which undertakes to say how all business shall be best conducted for the general good!

For of late years, Executive and Congress have taken on themselves new and improper tasks. They have assumed a supervision over private business which was never thought of by the men who organized the Government, which was undreamed of till the Government had been in operation nearly a hundred years, which is offensive in the manner of its application and deplorable in its effects, which if persisted in will sap the life of industry and bring disaster in its train.



PENALIZATION OF THRIFT AND INDUSTRY

HERE is no other country in the world where industry is penalized or where thrift is catalogued with crime.

Are you not as men of business in part to blame? Have you not come unconsciously to think of legislative merit in terms of multitudinous bills and laws? Following the popular trend, have you not grown to estimate a legislator's service by the number of new measures which he may propose?

We hear a great deal now about "constructive" legislation, as if there were some magic in the name, and public men are often criticized by an unthinking press because their names are not identified with the enactment of some new law. There could not be a greater fallacy.

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To prevent enactment of new laws may be a legislator's higher merit, and to encourage legislation may be a grievous fault. In the majority of cases, "constructive legislation," as it is called in the prevailing phrase of cant, is a delusion and a fraud.

There have been few periods in our history when constructive work has really been of benefit.

One was when the Government was first set going under the Constitution, when Hamilton, with his astounding genius, framed act after act constructing a foundation on which to build our national prosperity, raising an edifice in which to house our national pride, measures conceived not to discourage private enterprise, but to leave it free, with an unhampered opportunity to grow.

Another was immediately following the Rebellion, when new conditions faced the Union, when our ideas of government had been shaken by revolutionary measures imperative in war, and when the conquered South awaited restoration to the Union, under such terms as the victorious North was minded to allow. We needed legislation then to fix the nation's credit, to place it on an honest par with that of other nations of the world, to guide the Government again toward normal methods. All these things were properly within the sphere of government control, but times are rare when men must have new laws to meet imperative demands.

In a great and growing country such as ours, with continuing rapid changes going on, of course we cannot get along without new laws, but in ordinary times "constructive" legislation, as men love to call it, is a danger. In most years we should be far better off if Congress and our State legislatures would confine themselves to the enactment of appropriation bills and to imperative revision of the laws for raising revenue.

The thing the country needs to-day is not new laws so much as the repeal of bad.



THE MANUFACTURE OF NEW LAWS

AN English student says that Congress and our State legislatures each year enact more laws than are proposed by the law-making bodies of Great Britain, Germany, Italy, France and Austria combined, although those countries have more than twice our population.

In the session of the British Parliament just before the outbreak of the European war, the number of new laws of various kinds was 239. In the corresponding Congress the number was over 700. Yet the British Parliament covers the wide field of local legislation which in this country is distributed among the States.

In the seven years between 1909 and 1916, our Congress at

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State legislatures enacted 78,748 statutes. For years, the average annual crop of laws in our State legislatures has been 12,000, and twenty-three State legislatures sitting a year ago surpassed all records in enacting 15,000. Very few of these are of real benefit; many of them are distinctly harmful—but the law factories keep on working overtime enacting statutes, a large part of which are aimed at regulating business and industry, fixing hours of labor, establishing conditions of employment, imposing onerous burdens not only upon public service corporations, but upon private enterprise—at times enacting contradictory laws which it is impossible to obey.

You have doubtless heard of the New York, New Haven & Hartford Railroad, for through pitiless publicity on the part of paid attorneys for the people that road has long been pilloried by the unstifled press, but possibly you have not been told that it has been for years the target of continual attack in legislatures of three States through which it runs. At one crisis in its history it found itself in this impossible position: That one State ordered it by law to do precisely what another State by law forbade—each State in its own way had been indulging in “constructive legislation” harmful to the road, its helpless stockholders, and through them the public to which all law ought to benefit.

It used to be an axiom that the country which is governed least is governed best, that the freedom of the individual should be the aim of every civilized community, so far as it may be consistent with the rights and liberties of all.

But that no longer is the cry. The politician, ear to ground, anxious to feed the blind demands of discontent, is striving ceaselessly to satisfy the whims of those who go most quickly to the polls, even at the expense of those whose thrift and industry contribute most to the welfare of the community.



HUMAN RIGHTS AND PROPERTY RIGHTS INSEPARABLE

WE hear a lot these days about the sacredness of human rights, as something radically different from the rights of property, and entitled to infinitely more respect. That is an inspiring cry. It is responsible for many thousand pages of debate and countless chapters in the laws. It so pervades the public consciousness that one who questions it may be suspected of a sinister design.

And yet it is a fallacy, as any one will see who stops to think. In a civilized community there can be no human right which is not a right in property as well. The two can never be divorced. The sense of right in property is at the very root of human prog-

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ress. Without it we should be no better than the beasts which rove the field.

The man who has no other wealth than a clean shirt upon his back will fight for that. It is his property; it is his right. The working man who lays aside a portion of his weekly wage as accumulated capital. He has a stake in the community and he will fight for that. It is his own. It is his property; it is his right. Those who would teach men otherwise will do them an ill turn, for they instill into their soul contempt for thrift, for saving, for all industry, and thus unwittingly they would impede humanity's advance.

All legislation in that line is vicious legislation. It blights ambition, poisons hope and sterilizes the determination to excel. Under the specious plea of social service, it does poor service to society, those things which well meaning spirits seek through legislation to be much better handled by the individual who can be held at once responsible in his own person through success or failure in his pursuit. You cannot hope to force philanthropy by law. It must be the fruit of those conditions which exist in each locality and industry according to its needs. It must be visualized by men who are familiar with an infinite detail of circumstance which no law-making body not on the spot and not familiar with each individual case can understand.



PRIVATE ENTERPRISE AND SOCIAL SERVICE

NO government control can possibly compare with private enterprise in social service. The things which have most greatly benefited the workers of the world have come through the enlightened selfishness of private industry. Wages have been raised through mutual agreement between employer and employed, and not infrequently through single-handed action by the employer who has the wisdom of accepting opportunities to share his profits with his co-laborers, to secure their free coöperation and good will. What government could rival the industrial advantages secured by such sympathetic combination of the interests of those employed by some of our great corporations?

Could laws create superior conditions to those prevailing now in factories like those of the United Steel, the International Harvester, the company with which I am identified myself, and doubtless many others which you right here in Cleveland know about?

What legislature could compel employers to coöperate with those employed in the establishment of ideal industrial communities, or could compel the workingman to take the steps essential to his own interest?

Yet voluntarily, throughout the land, we have great business

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cerns doing this very thing without a thought of advertising philanthropic wares, because their reason is a very homely reason—it pays. No social service can be rendered with effectiveness unless it means a practical advantage to everyone concerned—and here legislative interference is dangerously meddlesome; for legislation must be of universal application, and no two cases can be treated properly in the same way. Requirements which one concern might find to its advantage might mean destruction to another, and the concern which suffers most will be the little business which, under the conditions evolved from its necessities, secures a modest income to its head and fair employment to a few wage-earners, who otherwise would have no means of livelihood. Which is the more important—to have a living wage without ideal environment or an ideal environment with no wage at all?

Two years ago this summer Congress spent many weeks in trying to put through the Clayton Act, when they might well have spent the time in making preparation for the national defense.

Its avowed purpose was to clear the way for honest business, so that there need be no further question as to what the law would let go. We had just become adjusted to the Sherman Act, through a long, arduous line of court decisions, and did not need this law; it was forced upon us "for our good." The men who handled it in Congress were from States with no great industries, and few of them had ever seen the inside of a factory or a great mercantile concern. As lawyers they had limited experience in rural practice; they proceeded cheerfully to formulate the rules to regulate the country's intricate industrial machine.

It was as though a dozen merchants had undertaken to codify statutes or determine the procedure of the courts, or as though a dozen bankers were to tell the farmers how to grow their crops.

What do you know to-day about the Clayton Act? What has it done except to cloud conditions which it was framed to clear? What about the Federal Trade Commission which some of us were eager to create?



ENCOURAGING FOREIGN TRADE

WE are threatened now with new enactments to encourage foreign trade, so that American concerns may get together to invade the European field through means which have been found illegitimate at home, but are approved by European governments ambitious to expand their commerce.

Our President has said he was ashamed of our American businessmen because they lacked the vision, energy and courage to encourage their trade abroad.

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When he thus publicly avowed his shame he doubtless had forgotten what had been done already by some of our great corporations which have boldly assaulted the world's markets with far-seeing genius at the very time when they were under prosecution here.

The work which has been done abroad by companies like Standard Oil, Steel, Eastman Kodak, International Harvester, National Cash Register, and United Shoe Machinery, is a thing to stir national pride. Yet every one of these concerns is penalized at home and consequently they are handicapped in Europe where it is known that they are still in court and that our own government has indicted their executives for industrial crimes. The European merchant does not understand the scope and the significance of law-made offense, and he is prejudiced accordingly.

If there is any honest purpose to help Americans push business in foreign lands, let the suits be withdrawn; let the indictments be dismissed; let the records of our industrial leaders be cleared from unjust stain. Then let American enterprise, enshrouded in the American flag, move forward without shackles to the conquest of the world.



HONEST BUSINESS MUST NOT REMAIN INERT

WHAT of the future? Shall honest business remain inert while politicians have their way? Why not take counsel with ourselves while there is still an opportunity?

If politics invades the sphere of business, why should not business invade the sphere of politics? If government is minded to control all industry, why should not industry, which is the nation's life, control the government! Business should be divorced from politics, you say. Let it be so—if politics remains divorced from business. But otherwise let us not shrink from putting business in politics with all that this involves.

We believe in labor unions. They have rendered a great service which perhaps could not have come through any other means. Labor has a perfect right to organize, like any other group of men, which it would be great folly to neglect. But labor organized is not supreme either in numbers or potential influence. The people who have business to protect are in the great majority—stockholders, corporations, holders of life insurance, depositors in savings banks—are numbered by the million—and among them will be found the workingman, who has as much at stake as any of the rest. Labor and capital must work in harmony. Let them once get together and we shall have a body of opinion which President and Congress will respect. It is not an idle dream. It should be a reality.

Let us not be lured by phrases or caught by specious cries. W

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ve a mission to humanity? That is well. But how can we fulfill it if we have first fulfilled our obligation to ourselves?

There is entrusted to our care our children's heritage—the priceless jewel, individual liberty. Let us see to it that we hand it on to them unspoiled.

The stranger entering Cleveland is greeted by your splendid Court House bearing the legend "Obedience to Law is Liberty"—a noble sentiment, most nobly set! Let us be sure that men continue to respect it as a sacred truth. But how can men regard obedience to law as liberty if once they are convinced that their own rightful liberty is not respected in the law?

